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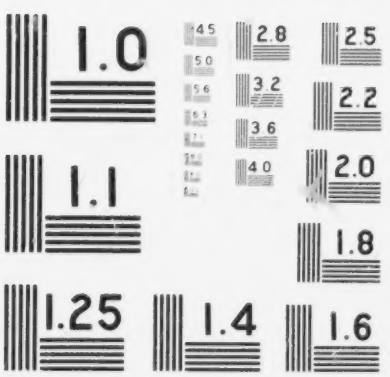


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SCHOOL PURCHASE PRACTICES IN TEXAS.

BY- COOPER, LLOYD G. AND OTHERS
TEXAS UNIV., EL PASO, TEXAS WESTERN COLL.

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THIS REPORT FROM TEXAS WESTERN COLLEGE CONCERNS THE PROBLEMS INVOLVED AND CURRENT PRACTICES IN TEXAS SCHOOL PURCHASING DEPARTMENTS. TWO SURVEYS WERE CONDUCTED BY THE COLLEGE TO INVESTIGATE TWO AREAS. ONE WAS TO DETERMINE SUPERINTENDENTS' PURCHASING PRACTICES BY SCHOOL SIZE, WHILE THE SECOND WAS TO DETERMINE, ALSO BY SCHOOL SIZE, THE LEVEL AND RANGE OF DISCOUNTS GIVEN BY MANUFACTURERS AND SUPPLIERS OF SCHOOL EQUIPMENT. THE AUTHORS RECOMMEND THAT (1) WORKSHOPS ON SCHOOL FINANCE BE HELD, (2) MORE SCHOOL FINANCE COURSES BE INTRODUCED IN COLLEGE CURRICULUMS, (3) SMALL SCHOOL DISTRICTS INITIATE COOPERATIVE PURCHASING PROGRAMS, AND (4) SMALL COOPERATING SCHOOL DISTRICTS EMPLOY A PURCHASING SPECIALIST. (JH)

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# SCHOOL PURCHASE PRACTICES

in

# TEXAS

by

LLOYD G. COOPER

with

Patricia Lockett
and
Carol Lockwood

ADMINISTRATIVE RESOURCES CENTER

DEPARTMENT OF EDUCATION

TEXAS WESTERN COLLEGE

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## Introduction

The position of the school administrator is becoming increasingly complex. Administration is now becoming a science, with the scope of information available to the school administrator rapidly increasing. As the knowledge of the job increases, so does the responsibility of the position.

Many school administrators presently employed have acquired a great deal of their administrative know-how through years of experience. The more technical aspects of the job are often accomplished year after year according to precedence established upon years of practice. Procedures are often continued without adequate evaluation, without assessment of the eventual cost to the school district. Good school administrators are aware that the administrative process is a dynamic and changing one, often necessitating changes to meet changing conditions.

As the administrative demands become more demanding and more complex, it is often possible to meet them by acquiring staff members who have specialized in one or more areas. The larger school districts have found it necessary to break down the problems of central administration into several divisions. By being aware of general problems and by utilizing the skills of specialists, the large-district superintendent is able to accomplish his demanding task. On the other hand, the small-district superintendent is at somewhat of a disadvantage, being responsible for the some general areas as is the

superintendent of the large school district, but being without specialized assistants. Therefore, it is muchmore difficult for the small school superintendent to stay abreast of changing conditions than it is for his larger district colleague. Consequently, the small district superintendent can benefit from information regarding certain specialized procedures which are not generally available to him in his training and not readily obtainable through on-the-job experience.

## The Nature of the Problem:

Purchasing of the physical necessities to establish and maintain the educational plant in his community is one of the superintendent's major responsibilities. This is one of the most demanding technical areas in school administration, yet it is one in which school administrators are most often deficient. Programs for the preparation of school administrators generally include some course work in school finance. These, however, seldom deal with concrete criteria for a sound school purchase program. Administrators on the job learn by trial and error the rudiments of school purchasing without ever becoming aware of the finer details involved.

The job of purchasing supplies is one of considerable importance to the small district administrator. Large amounts of his time are taken up by considerations involving selection of equipment and supplies for his school. Oftentimes, he has no criteria by which he can evaluate his purchases. Equipment and supplies are acquired

either from the first or the most congenial salesman that comes into the superintendent's office. The superintendent oftentimes has no information relative to the quality of the item which he is interested in purchasing or of its eventual cost to the school district. Seldom are policies established in the smaller school district regarding purchase practices. Considering the total financial expenditure involved, it appears mandatory that the small district administrator have certain policies and criteria for his purchase practices.

The scope of the policies and the criteria for purchasing will vary from school district to school district; however, there are certain commonalities which must be accepted and included in the policy formation of all school districts.

Many small district superintendents complain that they have neither the time nor training to make a critical evaluation of every school purchase. They assert that it is necessary to depend on information given to them by salesmen, representing various school products and occasional assistance rendered by educational agencies within their state. It is difficult, if not impossible, for the administrator who has the complex demands imposed, as is the case of the small district superintendent, to make a thorough search of the available sources for a piece of equipment or the supplies which he needs. Therefore, he often finds it feasible, in terms of economy of time, to purchase the majority of his equipment and supplies from what he considers to be reliable jobbers and dealers from whom he has purchased materials previously. This is

particularly true in the case of minor items which are purchased in small lots and on a non-bid basis.

Quality control is a term which is practically unknown to school administrators, both in the large and the small school districts. Studies in recent years have shown enormous variance in the quality of products which are purchased by an organization. Emphasis has focused upon efforts of centralized purchasing in recent years, particularly in large industrial organizations and in major governmental units. There are two reasons involved herein, namely: (1) a price advantage gained from large lot purchasing and; (2) the accessibility of specialists, knowledgable in quality control. It is not uncommon to talk to quality control specialists and learn that many items which are manufactured in the identical plant may be purchased at an enormous saving if the purchaser buys on basis of the content of the item rather than by the brand name. The cost of national advertising generally will raise the price of a product twenty to eighty per cent over the cost of an identical product made in the same plant which is packaged under a lesser-known name.

Brand names and the reputation of parent companies have generally been the superintendent's only index or guarantee of quality control. A certain company's product or a particular brand name are often bought time and time again because the administrator has found satisfaction in that particular item. What many fail to know, however, is that while the brand name does carry some guarantee of quality, it also means an increased cost to the school district

of upwards to 100%. Also generally unknown to the school administrators is that many brand name items can be purchased either from the manufacturer directly, or from the jobbers under local label at a tremendous saving, while still receiving the identical product.

Jobbers and local educational suppliers buy many brand name items at discount and often buy materials and supplies directly from the manufacturer to be packaged under their own label carrying the same set of specifications as the more widely-advertised brand name items. If the small district superintendent is aware of the specifications for a certain item which he wants to purchase, he may advertise or buy it on the open market, according to specifications, rather than by brand name at a decided savings for the school district, at the same time guaranteeing the same quality that he expects from a brand name item.

Saving by buying through specifications rather than brand name is only one type of savings available to the administrator. A much less involved and immediate savings is through the various types of discounts and prices offered by dealers and jobbers to the school district. This is the area in which the small district most often takes a financial beating. Large school districts and large industrial organizations have long since found that large savings can be made by large-lot purchasing and pre-purchasing for future use. The consumption of certain maintenance and supply items in the small district is so small that these savings are not accrued in the smaller administrative

organization. Oftentimes the small district superintendent buys small lots from local suppliers at retail trade price, which is normally 10-30 % higher than the industrial or institutional price on the same item. Schools and other institutions normally enjoy a 10-40% discount of retail price on most of the items used by the school. To obtain this discount, however, it is necessary for the administrator to formally request these items from the supplier. In order to avoid going to all of the trouble of making a formal order to school suppliers, the local school administrator may purchase occasional items on the local market at retail price. This may account for, in some districts, of upward to 40% of the total school purchases during the year. The small school then normally buys 50 -60% of its remaining supplies from a few local or regional suppliers at the regular school discount prices.

The small school normally buys in small lots. They do not enjoy additional quantity discounts. In fact, the small school district pays perhaps the highest price for its maintenance and supply items of any industrial or public institutional agency. There are means, however, by which the small school district can establish a sound purchasing system and gain maximum advantage of discount and reduce their cost from 20-40%. These means will be dealt with in the latter part of this report.

## Purchase Practices in the State of Texas

Realizing the significance of the problem of purchasing which faces the small district administrator, the Administrative Resources Center of Texas Western College completed the survey of school purchase practices within the state during the 1963-64 school year. One hundred fifty school districts throughout the state were asked to complete a questionnaire regarding school purchase practices. The unselected sample of school districts represented the broad spectrum of school size ranging from districts of greater than 10,000 enrollment to small common school districts. Eighty per cent of the questionnaire return was experienced giving sufficient responses from which to make sound evaluations.

General categories in the questionnaire from which responses were derived are:

1. The percent of school purchases bought by competitive bid or on open contract.

2. The percent of purchases bought directly from the manufacturer.

3. The percent of purchases bought from Texas manufacturers and suppliers.

4. The percent of items purchased yearly which are included as line items.

5. The number of different educational suppliers which service the district.

6. The availability of a specialist in purchase and supply within the district.

7. The percent of items purchased yearly at various discount price levels.

8. An explanation of district policy regarding minimum levels for competitive bidding.

9. A request for district policy regarding preference to local suppliers.

## Survey Analysis

Analysis of the survey is by school size. For purposes of this questionnaire the schools surveyed are divided into four categories. These are according to district ADA as follows:

1. 0 to 100
2. 100 to 1000
3. 1000 to 10000
4. 10000 and over

Because of a small number of responses in both the small (1), and the very large (4), categories only generalizations may be drawn. In the categories (2) and (3), the number of responses was sufficient to declare difinitive results.

A summary of the school purchase practice survey showed a general relationship between school size and the percent of purchases bought by competitive bid. There is an observed difference among the responses to the questionnaire ranging from a median of 90% of the items bought through competitive bid in the large schools to a median of 35% of the items bought through competitive bid in the districts with enrollment from 100-1000. Schools having

an enrollment of under 100 students showed that they purchased 55% of their purchases by competitive bid; however, it should be recognized that the small number of cases in this category limits the reliability of responses herein.

In response to the query regarding the percent of school purchases bought on a non-bid basis, an inverse relationship was noted among the schools according to their average daily attendance. As opposed to the percent of purchases bought by competitive bid under item one of the questionnaire, the large schools tended to buy a smaller percentage of items on a non-bid basis than did the smaller schools. The median percentage of purchases as shown in Table I shows that the large schools bought approximately 10% of their purchases on a non-bid basis whereas the small schools bought upwards to 70% of their items on a non-bid basis.

From the responses to the questionnaire there appears to be some correlation between school size and the percentage of items purchased directly from the manufacturer. Table I shows that among the large schools a median of 25% of the items purchased were bought directly from the manufacturer. This percentage decreases on a linear basis to the very small districts which bought less than 5% of their items directly from the manufacturer.

When questioned regarding the percentage of purchases bought from Texas manufacturers and from suppliers, school districts responding to the study showed a slight relationship existent between school size and percentage bought from Texas manufacturers. The direction

of this tendency is reflected in Table I showing that approximately 85% of the items bought by the large schools are purchased from Texas manufacturers and suppliers, whereas in the smaller districts a median of 95% of the items were bought within the state.

The percentage of purchases included as budgetary line items was also felt to be of interest and was included in the survey. With regard to this inquiry there appears to be no direct linear relationship between school size and percentage of purchases included as budgetary line items. It is interesting to note, however, that approximately 50% to 75% of the items purchased by schools in all categories are included as budgetary line items. The range of responses to this question was from 10% to 100%, showing that there is no definite agreement among school districts with regard to purchase practices and budgeting.

School districts in the study were requested to state the number of individual school suppliers which serviced their district. The range, seemingly without regard to school size, was from 5 to over 200. No difinite relationship could be noted from the responses regarding the number of different suppliers which service schools surveyed in this study.

When asked "Does your district have a specialist in school supply?", the schools with an ADA of greater than 10,000 all stated that they had. The percentage as shown in Table II among the districts having an enrollment of 1,000 to 10,000 shows that 25% of these districts had a school supply specialist. Only one school among the districts having

enrollment of 100 to 1,000 had a person who was designated as a school supply specialist. In the very small districts having an enrollment from 0 to 100 students, no district had a specialist for school supply purposes.

As a matter of determining school purchase practices, regarding the value of items submitted for competitive bid, schools in this survey were asked the following question. "According to district policy, what value of items must be placed for competitive bid?" Among the large schools 40% responded that their districts had a $500.00 limitation, and 60% had a policy setting a $1,000.00 limitation.

Among the schools having an enrollment of 1,000 to 10,000 students, 5% submitted bids on all items costing $100.00 or more; 5%, $300.00 or more; 15%, items costing $500.00 or more; and 75% had district policies which required items costing $1,000 or more to be submitted for competitive bid.

Among the schools having an enrollment from 100 to 1,000, 5% set a policy of $100 or more; 5% submitted for bid items of greater than $300 valuation; 5% stated a $500 compulsory bid level; and, 75% of the districts possessed a district policy which required that items of greater than $1,000.00 be submitted for competitive bid. Ten percent of the districts in this size category had no stated board policy regarding the value of items to be submitted for competitive bid.

Also included in the survey was a question regarding whether preference was given to local suppliers for school purchases. There appears to be no definite relationship between school size and

district policy regarding local purchasing, nor any definite policy regarding local purchasing within the various school districts. A few districts follow general considerations of local purchasing; however, only five schools of the 106 responding to the survey had definite stated policies regarding preference to local suppliers. There appears, however, to be a tendency to favor local suppliers if the price and quality of the product is the same. In response to this practice, school purchasing agents and superintendents point out that this is generally done in order that services be more readily available to the individual district. For example, typewriters and business machines are generally purchased from local suppliers even with the possibility of a slightly higher price with the realization that these machines need regular maintenance and this may be secured more readily from the agent or supplier who handled them at a local level.

## Survey of School Manufacturers and Suppliers

As a part of this survey, 150 educational manufacturers and suppliers were contacted regarding school purchase practices, and the level and range of school discounts. Responses to the original request for information regarding quality and nature of products was good; however, manufacturers and suppliers are generally reluctant to discuss cost and dealer prices. Consequently, in order to assess the nature of school products costs local educational suppliers had to be contacted.

Small school districts representing a portion of educational suppliers' and general products suppliers' markets are somewhat at a

disadvantage in purchasing supplies because of the small amounts involved. Smaller school districts are unable to take advantage of large lot discounts and special item discounts which are more readily available to the larger consumer. Consequently, small districts generally will pay from 10% to 20% higher prices for many of their items than will the larger districts who represent a better market for the educational supplier.

TABLE I

SCHOOL PURCHASE PRACTICES

| School District Size (ADA) | (1) Percent of Purchases Bought by Competitive | | (2) Percent of Purchases Bought on Non-Bid Basis | | (3) Percent of Supplies Bought Directly From Manufacturer | | Percent of Purchases Bought from Texas Manufacturers and Suppliers | |
|---|---|---|---|---|---|---|---|---|
| | Mean % | Range % | Mean % | Range % | Mean % | Range % | Mean % | Range % |
| 10,000 + (N=8) | 90 | 80-95 | 10 | 10-20 | 25 | 10-90 | 85 | 10-100 |
| 1,000-10,000 (N=40) | 60 | 10-90 | 50 | 10-90 | 20 | 10-70 | 90 | 10-100 |
| 100-1,000 (N=43) | 35 | 10-80 | 70 | 10-100 | 10 | 10-60 | 90 | 80-100 |
| 0-100 (N=5) | 55 | 30-70 | 40 | 10-50 | 5 | 5-10 | 95 | 90-100 |

N=96

Percentages rounded to nearest 5%

TABLE II

SCHOOL PURCHASE PRACTICES

| School District Size (ADA) | Percent of (5) Purchases Included As Budgetary Line Items | | Number of (6) Different School Suppliers | | Does District (7) Have Specialist In Supply |
|---|---|---|---|---|---|
| | Mean | Range | Mean | Range | Yes |
| 10,000 + (N=8) | 50 | 10-90 | 45 | 10-120 | 100% |
| 1,000-10,000 (N=40) | 60 | 10-100 | 50 | 5-200 | 25% |
| 100-1,000 (N=43) | 50 | 10-100 | 20 | 5-100 | 2% |
| 0-100 (N=5) | 75 | 40-90 | 55 | 10-75 | 0 |

TABLE III

SCHOOL PURCHASE PRACTICES

| School District Size (ADA) | According to District Policy What Value of Items Must Be Placed for Competitive Bid? | | | | |
|---|---|---|---|---|---|
| | $100 | $300 | $500 | $1,000 | No Policy |
| 10,000 + (N=8) | | | 40% | 60% | |
| 1,000-10,000 (N=40) | 5% | 5% | 15% | 75% | 0% |
| 100-1,000 (N=43) | 5% | 5% | 5% | 75% | 10% |
| 0-100 (N=5) | | | 40% | | 60% |

## CONCLUSIONS AND RECOMMENDATIONS

The survey of school purchase practices in the state of Texas which is included in this report points out several facts that may be somewhat self-evident to educators reading this evaluation. The problems of the small district administrator are legion. The scope of his responsibility and the demands upon his time are rarely matched in administrative positions elsewhere. Adminstrative studies have shown that the public school administrator has one of the most demanding jobs in the entire area of public administration.

The conclusions and recommendations of this study are oriented towards the small district administrator. For within the field of educational administration there is no one who has a greater range of responsibility and who requires the scope of skills requisite in the chief administrative officer of one of these districts. He must be a jack-of-all-trades, an expert on the total program of the school. Seldom does he have adequate assistance, particularly in highly specialized administration areas such as purchasing.

As a matter of evaluating the results of this survey, it must be recognized that there are solutions to many of the small district administrator's problems. Regarding the specific problem area of school purchasing, the following recommendation's are offered:

1) Workshops should be offered by regional colleges and universities to provide accurate, up-to-date information regarding school purchasing. Specialists in school supply and representatives of educational supply houses should be used as resource personnel. These workshops could be offered as part of the institution's regular program or as a special service to the public schools through in-service training programs.

2) Instruction in school purchasing procedures, quality control, and program evaluation should be included as part of the required program for the preparation of school administrators. This could be included as a part of a School Finance Course or as a specialized offering.

3) Small school districts which are within reasonable distance of one another should form an association for cooperative purchasing. By massing individual requests at, say twice a year intervals, the small school district would be able to buy the majority of its supplies at the same price advantage as the larger districts.

4) Small school districts which have agreed to buy cooperatively should also consider the feasibility of retaining a school supply specialist on a consultant basis or hire such an individual to service all the districts. The services of a school supply specialist would pay, several times over for his salary, through more knowledgable and better organized purchase practices.